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FM AMCONSUL HONG KONG
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INFO RUEHC/SECSTATE WASHDC 3707
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SIPDIS

USDOC FOR 532/OEA/LHINES/ADYSON
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR WILLIAM ZARIT
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: BMGT BEXP HK ETRD ETTC

SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: SCITOP INSTRUMENT CO.

REF: A) USDOC 07857 B) D369652 C) D370796 D)D378078

1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

¶2. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a post shipment verification (PSV) at Scitop Instrumentation Co, Unit 2, 28/F, Kwong Kin Trade Centre, No. 5 Kin Fat St., New Territories, Hong Kong. The items in question are masks, glove boxes and valves exported to Scitop Instrumentation Co. on or about April 21, 2007, March 24, 2007 and July 28, 2007. These items are classified under Export Control Classification Number (ECCN) 2B350 and are controlled for chemical and biological weapons reasons (CB).

The exporter was Cole Parmer Instrument Company of Vernon Hills, Illinois.

¶3. Background research reveals that Scitop Instrumentation Co. exists in Hong Kong as Scitop Systems Limited (Scitop Systems). That company was registered in February 2003. Hong Kong residents, Lee, Chi Keung, Leung, Tak Yui and Wong, Yuk Cheung are listed as directors. The company has the Hong Kong equivalent of USD 1,000 in paid up share capital.

¶4. Scitop Systems director, Lee, Chi Keung is also a director in Right Products Trading Limited (Right Products). That company was established in 2002 and has the Hong Kong equivalent of less than one USD in paid up share capital. Besides Mr. Lee, Hong Kong resident, Lock, Man Pan is also listed as a director of Right Products.

¶5. Scitop Systems director, Wong, Yuk Cheung, is also a director of Trade International Limited (also registered in February 2003) along with mainland Chinese citizen Yang, Yan Bin. Trade International Limited has the same registered address as Scitop Systems. The paid-up share capital of Trade International Limited is the Hong Kong equivalent of USD 300.

¶6. A review of Scitop Systems's web site (www.scitop.com) reveals that Scitop Systems is a distributor of a range of Cole Parmer and other instruments including items in the forensics/law enforcement arena as well as biological and biomedical products. The site lists several offices in mainland China although some links to those locations are not operational. The link listing Scitop Systems's office in Shenzhen links to a site for Right Products Trading Limited (with e-mail contact listed as www.rightproducts.com.hk).

¶7. On September 12, 2007, the ECO visited Scitop Systems at the Kwon Kin Trade Center address listed above and met with Mr. Andy Wong (Wong, Yuk Cheung), one of the directors of the company. His business card lists subsidiary companies as On Tech Winfull Company

Ltd. (Beijing), Scitop Instrument Company Ltd. (Guangzhou) and Right Products Company Ltd. (Shenzhen) as well as a sales office in Shanghai. Mr. Wong stated Scitop Systems is a group of companies that trades filters, thermometers and testing equipment acquired from the U.S., U.K., and France. Mr. Wong stated that for some companies, Scitop Systems is the authorized distributor (Cole Parmer being one of those) while for other companies it is an authorized dealer. The company also operates using agents that bring it business while in other situations the customer comes directly to it. The company has been in existence for six years and its facilities include an office and a warehouse. Mr. Wong stated that the offices in Shenzhen and Guangzhou are affiliated with the Hong Kong operation but he is unclear as to their ownership structure. Scitop Systems has approximately USD 2 million in annual turnover.

¶18. As to the specific transactions in question, Mr. Wong stated that Cole Parmer has stated to him that it may decline future licensed orders below a certain dollar threshold in light of the compliance costs associated with such orders. He expects to receive that dollar figure soon. For transactions where a license is required, Mr. Wong stated that he provides Cole Parmer with the standard end-user/end-use information requested by Cole Parmer.

¶19. D369652: As to this transaction involving an order by the Hong Kong Health Laboratory, Mr. Wong provided documentation confirming the order and receipt of the Captair Pyramid Glove Bag by the Hong Kong Government.

¶10. D378078: As to this transaction, Mr. Wong stated that the needle valves had been delivered to Right Products for resale to the Hong Kong University of Science and Technology. He provided a delivery document confirming delivery to Right Products. He stated that Scitop Systems has a longstanding and good relationship with Right Products. He did not mention the shared directorship between Right Products and Scitop Systems. When asked during a subsequent

phone conversation whether the items had been sent to Right Products in Shenzhen, Mr. Wong stated that they had. He stated that Right Products had informed him that the items were destined for the University of Science and Technology. When the ECO inquired why a product destined for a Hong Kong University would be shipped to Shenzhen, Mr. Wong stated that often researchers come from the mainland to work in Hong Kong universities. During a subsequent telephone conversation, Mr. Wong stated that the final destination of the products was not entirely clear to him.

¶11. D369652: As to this transaction involving protective masks, Mr. Wong stated at the September meeting that this transaction involved a P.O. from 2006. He stated that this P.O. was with the auditors who were completing the company's tax returns and he would again have access to them in late October. On December 9, 2007, Mr. Wong e-mailed a copy of the invoice in question as well as e-mail correspondence between Scitop Instruments and an e-mail address of World Ways Co. (HK) Ltd. (Guangzhou@worldways.com.cn). In that e-mail, the World Ways representative (presumably from that company's Guangzhou office) stated that the end-user for the items is Agricultural Tests & Supervises Institution of Dong Guan. That entity's business is inspection and the end-use is listed as protecting. Mr. Wong provided an additional invoice from Scitop Systems addressed to Guangzhou Gilson, which includes the applicable licensed items. Despite a number of requests, Mr. Wong did not provide delivery documentation confirming actual delivery of the items.

¶12. World Ways has a Hong Kong affiliated company named World Ways Company (HongKong) Limited. It was registered in 1969 and has the Hong Kong equivalent of USD 200,000 in paid-up capital. Hong Kong residents Chou, Kin Wah, Chou Sun Wha Simon and Wong, Kwong Yung are listed as directors. The web site of World Ways states that it is a distributor of Gilson products.

¶13. ECO recommends that OEA conduct a review of all shipments to Scitop Systems, Right Products and World Ways Company (HongKong) Limited as well as all shipments to the addresses of those companies.